News monitored for: Lemon Tree Hotels
Lemon Tree Ends Up 28% on Debut

Mirae Asset Asia Sector Leader Equity Fund buys 51.5 lakh shares

Our Bureau

Mumbai: Lemon Tree Hotels made a strong debut on the bourses on Monday, with the stock closing at ₹71.60, which is 28% above the issue price. The stock had listed at ₹61.60 on the BSE earlier in the day, which is 10% above the company’s issue price of ₹56 per share. Mirae Asset Asia Sector Leader Equity Fund bought 51.5 lakh shares of Lemon Tree at ₹65.61 per share on Monday, bulk deal data on the NSE showed. DB International Asia sold 44.6 lakh shares at ₹62.07 per share.

Lemon Tree Hotels’s strong debut is in contrast with the recent listings of companies such as ICICI Securities, Bharat Dynamics and Hindustan Aeronautics which listed at discount to their respective issue prices. The ₹1,030 crore initial public offering of Lemon Tree was subscribed 1.2 times. The IPO was open for subscription between March 26 and March 28, and was priced at ₹54-56 per share. The company had raised ₹511.6 crore from anchor investors a day ahead of the opening of the IPO. The company had allotted 5.6 crore shares to 18 anchor investors at the upper end of the price band.

Rotak Mahindra Capital, CLSA India, JP Morgan India and YES Securities were the book running lead managers to the issue.

Ahead of the IPO, brokerages such as ICICI Direct and Prabhudas Lilladher had advised avoiding the issue due to expensive valuations. An independent equity advisor said valuations will eventually catch up with the stock price, which has become more expensive after the listing.

“The stock is being offered at 25-30% premium valuation than peers (44-46x FY17 EBITDA),” said ICICI Direct in a note.

Angel Broking had recommended ‘neutral’ on the issue for a mid-to-long term period. “It has seen turnaround in M9FY2018 (first nine months of FY18) by posting a PAT of ₹2.8 crore which was achieved at sort of peak occupancy and 9% price hike. Hence, any further improvement in margins have to come via price hikes, which looks difficult especially amid intense competition,” it had said in its pre-IPO note.